# 1971 Annual Report



## THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED

## Contents



**Cover**
Conveyor belt, reinforced with steel cables, is built at Bowmanville, Ontario, plant for an iron mining complex in Labrador. The cables are sandwiched between layers of rubber compound fed from rolls above and below. The belt is then vulcanized.

## Board of Directors

H. A. Brundage, Toronto
P. P. Daigle, Montreal
R. DeYoung, Akron
R. A. Jay, Akron
K. E. Kennedy, Q.C., Toronto
Louis A.-Lapointe, Q.C., Montreal
H. G. MacNeill, Toronto
J. C. Moon, Toronto
D. W. Moriarty, Toronto
A. Deane Nesbitt, O.B.E., D.F.C., Montreal
Bruce M. Robertson, Akron

## Officers

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*President and Chief Executive Officer*

J. C. Moon
*Executive Vice-President, Manufacturing*

H. A. Brundage
*Vice-President, Finance*

K. E. Kennedy, Q.C.
*Vice-President and General Counsel*

S. G. Fearman
*Vice-President, Materials Management*

D. W. Moriarty
*Vice-President, Tire Sales*

F. J. Kitchen
*Comptroller*

C. E. Clarke
*Secretary*

G. E. Bennett
*Assistant Comptroller*

W. R. Hayward
*Assistant Comptroller*

B. R. Telfer
*Assistant Treasurer*

G. D. Gordon
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## To the Shareholders of The Goodyear Tire & Rubber Company of Canada, Limited

We are pleased to submit the Consolidated Financial Statements which reflect record levels of sales and income.

Consolidated net sales of $185,361,000 compared with $175,619,000 in 1970. The growth of $9,742,000 represents a gain of 5.5%.

Consolidated net income of $7,753,000, or $29.21 per share of common stock, compared with 1970 net income of $3,291,000, or $11.85 per share.

Quarterly dividends on the common shares were resumed in June 1971 with a total of $3.00 per share being paid during the year. Regular quarterly dividends totalling $2.00 per share were paid on the 4% preferred shares.

Taxes and duties of all kinds paid in 1971 totalled $21,097,000, equivalent to $82.01 per common share, compared with $15,731,000 or $61.14 per share in 1970.

Total compensation paid to employees during the year, together with pension, hospitalization, group insurance and related benefits totalled $56,945,000, compared with $56,598,000 in 1970.

Capital expenditures for expansion, modernization and replacement totalled $4,272,000 in 1971 ; depreciation amounted to $7,040,000. A number of sizeable capital projects, approved in 1971 and now under way, will be completed in 1972.

Nineteen seventy-one was a remarkable year in the financial history of the Company. It was marked by the continuing success of a program of consolidation which had begun in mid-1970.

Several factors were responsible for this success. The most important were : a new sales strategy, an effective cost reduction program, a substantial decrease in long-term debt and lower interest rates.

The new sales strategy was typified by a more aggressive and selective approach to markets, an increase in the number of Company-owned stores and more concern for the dealer organization.

The cost reduction program was actively pursued in all phases of operations. It meant paying lower prices for raw materials, simplifying product lines, lowering inventory levels and finding more efficient methods of production, distribution and sales. It was carried out without sacrifice to Goodyear's traditional standards of product quality and customer satisfaction.

The Company's continuing search for a more rational distribution network led to the decision to build a $2.8 million distribution centre in the Montreal area. The centre, now under construction, is designed to serve Goodyear customers throughout Eastern Canada.

Consistent with its concern for the environment, the Company last year started converting the powerhouse of the Toronto plant from fuel oil to natural gas. The conversion, scheduled for completion by summer, will remove the last known ecological problem in Goodyear's operations across Canada.

To maintain product leadership, the Company continued to modernize its manufacturing facilities. It acquired new equipment to expand its radial tire production capacity and formulated plans for additional expansions in the next few years.

On November 19 we were saddened by the death of David F. Catto, treasurer of the Company. He had given Goodyear 38 years of valued service.

Credit for the Company's performance in 1971 is due to all members of the Goodyear organization and to our dealers and distributors across Canada. Without their dedication, competence and hard work, the 1971 success would not have been possible. With their continued enthusiasm and support, we can look forward with confidence to a future of growth and prosperity.

With the approval of the Board of Directors.

H. G. MacNeill
*President and Chief Executive Officer*
February 1, 1972

# Consolidated Balance Sheet

*Dollars in thousands*

## Assets

| | *December 31* 1971 | 1970 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 620 | $ 512 |
| Accounts receivable | 30,064 | 30,458 |
| Due from affiliated companies | 2,533 | 2,370 |
| Inventories at lower of cost or market | 36,740 | 36,205 |
| Prepaid expenses | 2,875 | 34 |
| Total Current Assets | **72,832** | **69,579** |
| MISCELLANEOUS INVESTMENTS at cost less allowances | **654** | **516** |
| PROPERTIES AND PLANTS: | | |
| Land, buildings, machinery and equipment, at cost | 126,598 | 124,443 |
| Less: Depreciation | 80,672 | 75,350 |
| | **45,926** | **49,093** |
| | **$119,412** | **$119,188** |

APPROVED ON BEHALF OF THE BOARD:

H. G. MacNeill Director

Sr. A. Brundage Director

## Liabilities

| | December 31 1971 | 1970 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Bank indebtedness | $ 2,875 | $ 3,814 |
| Loan from parent company | — | 4,878 |
| Accounts payable and accrued liabilities | 15,244 | 8,122 |
| Due to affiliated companies | 2,342 | 960 |
| Income and other taxes payable | 4,455 | 1,993 |
| Dividend payable on preferred shares | 60 | 61 |
| Total Current Liabilities | **24,976** | **19,828** |
| **LONG TERM DEBT:** | | |
| Bank loans due 1973 under revolving credit agreements | 23,125 | 36,650 |
| Funded debt of subsidiary | 300 | 350 |
| | **23,425** | **37,000** |
| DEFERRED INCOME TAXES | **7,113** | **4,754** |
| DEFERRED INCOME | **1,131** | **1,470** |

## Shareholders' Equity

| | 1971 | 1970 |
|---|---|---|
| **CAPITAL STOCK:** | | |
| 4% cumulative redeemable sinking fund preferred shares (par value $50 per share; redeemable on call at $53 per share): | | |
| Authorized, issued and outstanding, 1971—118,857 shares; 1970—121,084 shares | 5,943 | 6,054 |
| Common shares, no par value: Authorized, 290,660 shares; issued and outstanding, 257,260 shares | 129 | 129 |
| CAPITAL SURPLUS | 692 | 692 |
| RETAINED EARNINGS | 56,003 | 49,261 |
| | **62,767** | **56,136** |
| | **$119,412** | **$119,188** |

# Consolidated Income Statement

*Dollars in thousands, except per share*

| | Year ended December 31 | |
|---|---|---|
| | 1971 | 1970 |
| Net sales | $185,361 | $175,619 |
| Income from investments | 47 | 32 |
| | **185,408** | **175,651** |
| Deduct: | | |
| Costs and expenses | 160,751 | 158,595 |
| Interest expense on long term debt | 2,209 | 3,658 |
| Depreciation | 7,040 | 7,339 |
| Income taxes: | | |
| Current | 3,711 | 1,323 |
| Deferred | 3,944 | 1,445 |
| | **177,655** | **172,360** |
| Net income for the year | **$ 7,753** | **$ 3,291** |
| Earnings per common share | **$ 29.21** | **$ 11.85** |

# Consolidated Retained Earnings Statement

*Dollars in thousands*

| | Year ended December 31 | |
|---|---|---|
| | 1971 | 1970 |
| Balance at beginning of year | $ 49,261 | $ 46,213 |
| Net income for the year | 7,753 | 3,291 |
| | **57,014** | **49,504** |
| Deduct: | | |
| Dividends: | | |
| On common shares | 772 | — |
| On 4% preferred shares | 239 | 243 |
| | **1,011** | **243** |
| Balance at end of year | **$ 56,003** | **$ 49,261** |

# Notes to Consolidated Financial Statements

**1.** Certain store and warehouse properties are leased at minimum annual rentals which total $2,011,000 for 1972. Most of the leases may be renewed by the Company on expiry.

**2.** The Company's unfunded obligation for pension benefits arising from service prior to December 31, 1971 increased $3,300,000 to $17,100,000. The increase is the result of amendments to certain of the Company's pension plans in 1971 less the effect of a change in an actuarial assumption based on experience. This obligation has not been provided for in the accounts. Since 1958 the Company has been funding past service obligations by the payment of annual instalments which are charged against operations and proposes to continue this practice through 1989.

**3.** Remuneration to directors and senior officers of the Company in 1971 amounted to $255,000 (1970-$249,000).

## Consolidated Statement of Funds

*Dollars in thousands*

| | *Year ended December 31* | |
|---|---|---|
| | **1971** | **1970** |
| SOURCE OF FUNDS: | | |
| Net income for the year | $ 7,753 | $ 3,291 |
| Expenses not requiring a current outlay of funds—principally depreciation and deferred income taxes | 9,060 | 8,520 |
| Total from operations | **16,813** | **11,811** |
| Property disposals | 399 | 380 |
| | **17,212** | **12,191** |
| APPLICATION OF FUNDS: | | |
| Expenditures for properties and plants | 4,272 | 6,329 |
| Long term debt | 13,575 | 6,875 |
| Dividends | 1,011 | 243 |
| Preferred shares redeemed | 111 | 120 |
| Investments | 138 | 33 |
| | **19,107** | **13,600** |
| Decrease in working capital | **$ 1,895** | **$ 1,409** |

## Auditors' Report

TO THE SHAREHOLDERS OF
THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED:

We have examined the consolidated balance sheet of The Goodyear Tire & Rubber Company of Canada, Limited and its subsidiary companies as at December 31, 1971 and the consolidated statements of income, retained earnings and funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants

Toronto, January 26, 1972

## Tire Division

In 1971 the Tire Division continued its tradition of product innovation with the development and production of two new lines – the Polysteel bias-belted tire and the G800 radial tire.

The Polysteel auto tire, now available to the Canadian public, has a polyester carcass and steel belts. The G800 radial tire is aimed at owners of imported cars.

The Company also introduced the Glas-Guard truck tire last year. A nylon body, fiberglass-belted tire, it was designed to meet the demands of Canada's nearly 800,000 light trucks, vans and campers. Goodyear is the only Canadian company to manufacture a glass-belted truck tire.

The Division started a program under which tire maintenance specialists live on mining and construction sites to provide on-the-spot assistance for operators of off-the-road vehicles.

The production organization contributed substantially to the success of the Tire Division in 1971 through improvements in product design, changes in plant layout and methods, modernization of equipment and optimum utilization of human resources.



2


4


**1.** G800 radial auto tires are manufactured at Toronto plant.

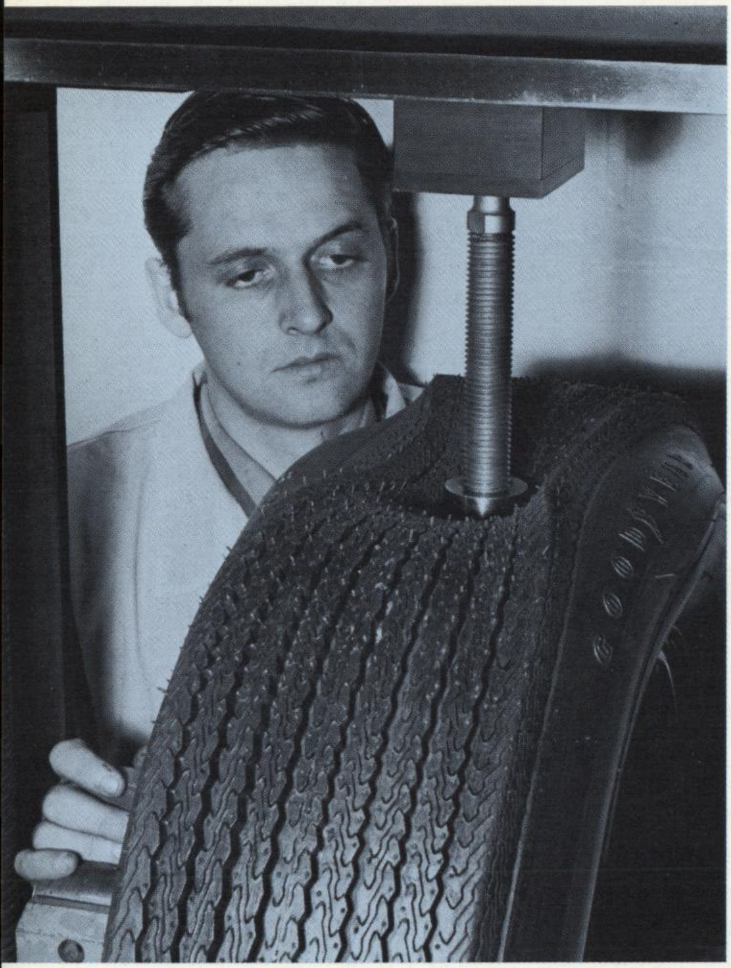
**2.** Earthmover tire at Valleyfield, Quebec, plant is given finishing touch prior to shipment.

**3.** Polyester yarn is twisted for added strength as it unwinds from huge spool at Saint-Hyacinthe, Quebec, plant. Polyester is increasingly used to reinforce rubber products.

**4.** Tires undergo weather and endurance tests at Medicine Hat, Alberta, where temperatures range from 100 degrees Fahrenheit in summer to 30 degrees below zero in winter.

3

1



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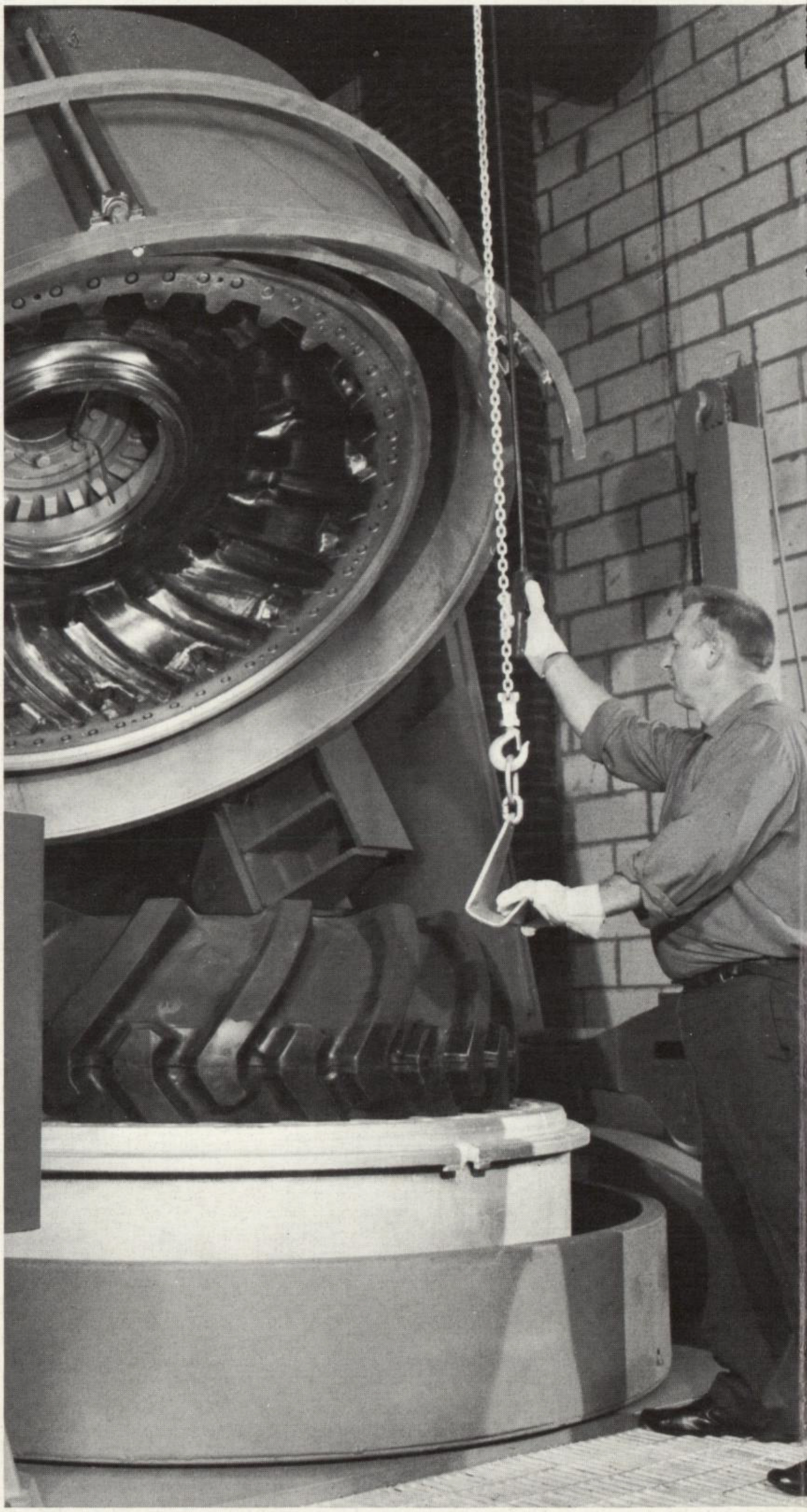


**1.** Fully-inflated Polyglas tire undergoes plunger test to determine resistance to rupture. This is to comply with the Canadian Standards Association specification that all passenger tires produced in Canada must have a minimum breaking energy of 2,600 inch-pounds. The tire can actually stand up to double the pressure being applied here.

**2.** Farm tractor tire is hoisted from mold at Toronto plant.

# General Products Division

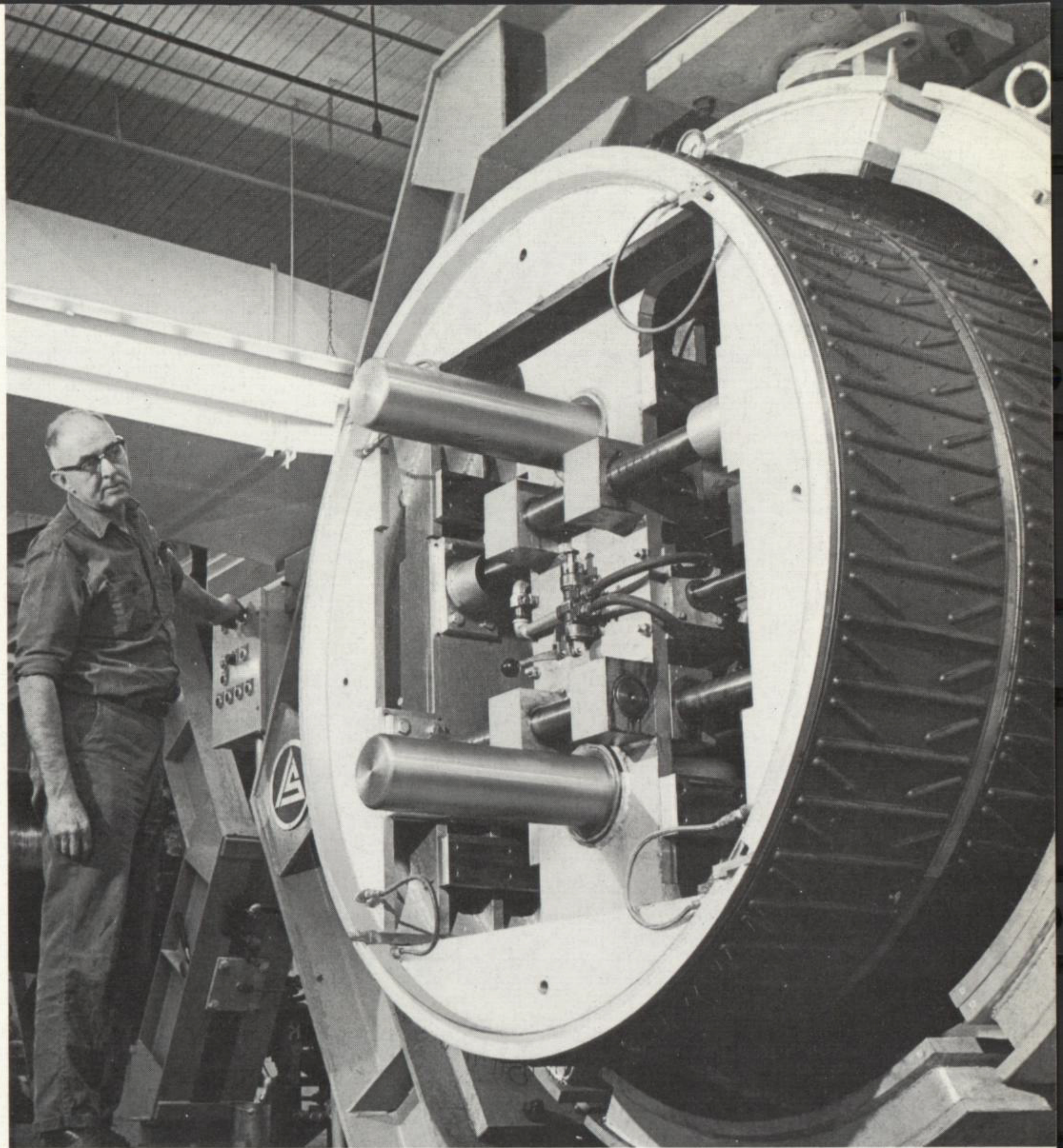
In spite of a continued slowdown in the Canadian economy, 1971 was a year of growth for the General Products Division.

An order was obtained for some 12 miles of steel-cable-reinforced conveyor belting, destined for an iron ore mining project in Labrador. It was the largest such order received so far by the Bowmanville, Ontario, plant and the second largest ever given to Goodyear anywhere in the world. The Company also won its first order for a Speedwalk passenger conveyor system to be installed at Toronto International Airport before the end of 1972.

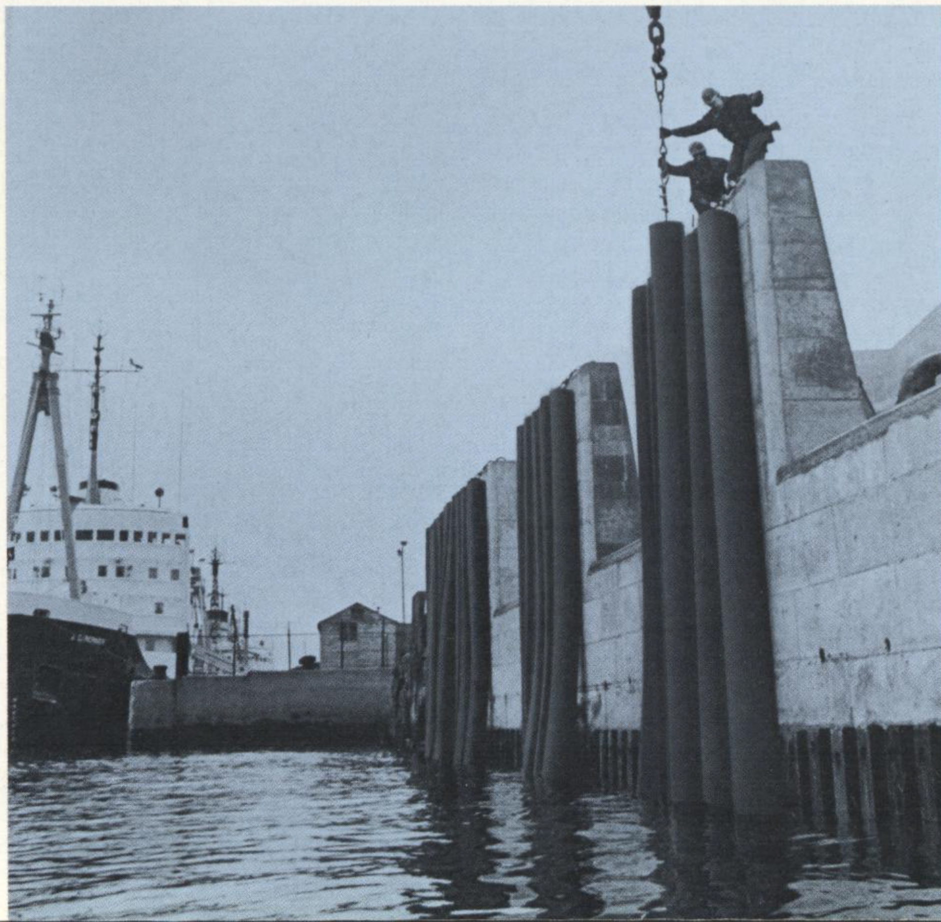
Total demand of power transmission products and tracks for snowmobiles and all-terrain vehicles remained unchanged from last year in spite of abnormal market fluctuations. Sales of molded pump parts continued to grow. Plastic films continued to advance in the Canadian market, and production facilities were consolidated into one plant in Toronto.

Hose products sales enjoyed a substantial increase over 1970. At the Collingwood, Ontario, plant production of emission control hose assemblies for the automobile industry grew considerably. Development work continued on hose for automotive air conditioning and power steering systems. A full scale program to manufacture reinforced plastic hose for the North American market got under way.

1



2



**1.** Tracks for all-terrain vehicles emerge from vulcanizing press at Bowmanville, Ontario, plant.

**2.** Dock fenders made at Quebec City plant are installed at local ferry terminal.

1

Sales of molded and extruded products in 1971 were higher than in 1970. Shoe products sales continued to decline because of the depressed condition of the Canadian shoe industry. At the Quebec City plant the technology for the production of asbestos packing material was further refined. Recently-installed equipment for the manufacture of cast-urethane products such as sprockets, bridge bearing pads and railroad draft gear bumpers became operational at the end of the year.

In spite of erratic demand, sales of foam products in 1971 showed a modest increase over the previous year. Export levels continued high. The Owen Sound, Ontario, plant started manufacturing full-depth seat cushions for a major car manufacturer, while continuing to produce conventional units for spring-type seats. A program aimed at finding new commercial applications for foam products was started early last year and is continuing with encouraging results.

Some of the means adopted by the General Products plants to help the Division achieve its success in 1971 were: simplification of product lines, productivity increases, process improvements and more effective quality controls.

2

**1.** Plastic hose is extruded at Collingwood, Ontario, plant.

**2.** Padded instrument panels for trucks undergo quality control check at foam plant in Owen Sound, Ontario.

1

2

**1.** Urethane foam cushions for automobile seats await shipment from Owen Sound plant.

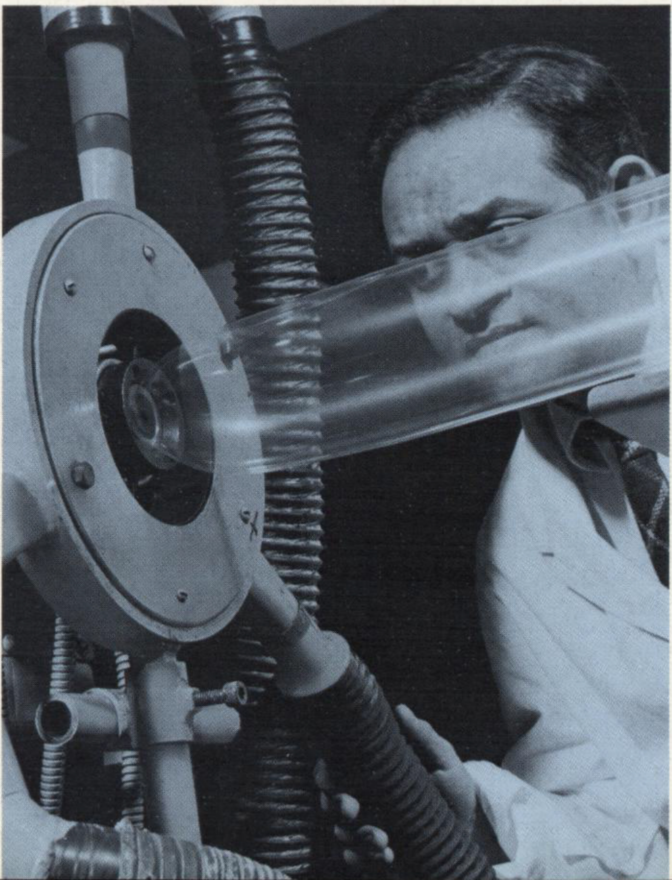
**2.** Cast-urethane bumpers for railroad cars are removed from mold at Quebec City plant.

## Goodyear Pictorial

Employee at Collingwood, Ontario, plant inspects hose being fed into braiding machine.


New look in Goodyear Go Centres emphasizes role of store employees as tire specialists.


Data processing centre at Head Office provides essential information to all levels of management.



Laboratory-size extruder at Goodyear's Toronto plant produces four-foot long bubble during pilot production of plastic film. During regular production, bubble can be up to 25 feet long and 50 inches in diameter.

THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED

Printed in Canada